The Economy, Criminals, and their Laundry

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For decades, Hollywood has created countless movies portraying criminal behaviour and money laundering as the work of the mafia, drugs lords, and mobs mostly with rather suspicious accents however a quick internet news search reveals a reality far closer to home than one which exists on the script of the next blockbuster.

On 26th November, British regulators fined Barclays PLC operations in Canada £72 million for failing to implement anti-money laundering controls in addition to freezing £1.88 billion of funds accepted from high risk, politically exposed persons (PEPs). The money was reported to have been accepted as the "deal of a century" and all related documentation was kept in paper format, without a computer trail, hidden in a separate safe, known to only a few individuals. Also in November, two separate families were sentenced in the United Kingdom (UK), one in the Midlands and another in Penygroes, Wales, for money laundering and drug trafficking offences. While the family from Wales received sentences ranging from 20 months imprisonment to 12 month community orders, the family in the Midlands face a combined 73 years imprisonment for money laundering worth over £35 million. To finish the coverage of major headlines over the past 2 months, in September the Caesars Entertainment Corp. were fined over £6 million by United States and Nevada regulators for deficient anti-money laundering controls at VIP rooms in their Las Vegas and Hong Kong and additionally identified for having serious weaknesses and controls by the UK Gambling Commission on 15th December resulting in a voluntary settlement of £845,000. The money involved in these 4 headline offences, which are by no means unique or isolated, exceeds more than £3 billion – more than the 2014 GDP of 33 countries according to the World Bank and the International Monetary Fund. More significantly, this is just the tip of an iceberg whose unidentified (underwater) size is unknown.

According to the latest estimates, in December 2013 organised crime was estimated to cost the UK over £24 billion each year with the number of organised crime groups estimated by the National Crime Agency (NCA) to be approximately 5,300, comprising of more than 36,600 organised criminals. In the 2015 National Strategic Assessment of Serious and Organised Crime released in June, money laundering was raised to a high-priority risk as it is "*essential for the realisation of criminal proceeds across almost all types of serious and organised crime and its sheer scale presents a strategic threat to the UK's economy and reputation*." But what does this all mean? What is money laundering and why is its significance growing traction amongst governments globally? Money laundering is popularly understood to be the means by which criminals take money acquired from illegal activities and render it "clean" in such a way that its criminal origins are disguised and thus the criminal can enjoy the benefit without attracting suspicion. An example would be someone who sells drugs and then "cleans" the money so that the exact notes could not be tracked for example using bank account deposits, high value purchases, or through gambling establishments. Money laundering also includes money that's used to fund terrorism, however it's obtained.

In domestic law, money laundering is defined in the Proceeds of Crimes Act 2002 and includes all forms of handling or possession of criminal property, including possessing the proceeds of one's own crime, and facilitating any handling or possession of criminal property. Under this definition, money laundering extends from the traditional definition of individuals laundering money clean to individuals spending criminal funds for whatever purpose and therefore extends our potential suspicious character list significantly. The builder who completes a cash in hand job and doesn't declare the payment to HR Revenue and Customs but instead chooses to spend his money on Christmas presents for his family, is a criminal and could be charged with both tax evasion and money laundering offences. Furthermore, if at the checkout of the store the store employee suspects that the builder might have earned their money "off-the-books" but still accepts payment, then the store employee is also guilty of money laundering offences. Our potential money laundering mafia may are now significantly more difficult

to identify and every £1 acquired through criminal activities which is spent represents a money laundering offence.

On 30th November 2015, the Accountancy Affinity Group (AAG), Law Society and Solicitors Regulation Authority (SRA) in partnership with the Home Office and National Crime Agency (NCA) launched the Flag it Up! campaign with the aim of raising awareness within the industry. The campaign aims to tackle the problems associated with identifying the threat of money laundering by helping accountants and solicitors to spot 'red flags' that could potentially indicate criminal activity. The campaign, which runs until March 2016, aims to provide professionals with best practice guidance on how to protect their business' reputation and to ensure they are not caught up in criminality inadvertently. Nevertheless, accountants and solicitors are most certainly not the only businesses and professionals focused on this issue with regulators, industry associations and companies across the UK scrambling to attempt to create advice, policies and procedures in order to mitigate the threat posed.

While money laundering is not a new issue, its prominence on a global threat agenda is and although we do not have the answers yet, following the release of the UK national risk assessment of money laundering and terrorist financing policy paper in October and the EU 4th Money Laundering Directive in May one thing that we can be certain of is that this problem is not going anywhere and its significance and impact is likely to increase through 2016.